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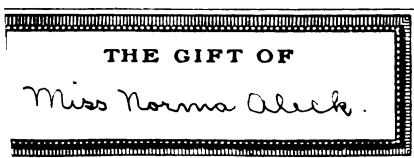
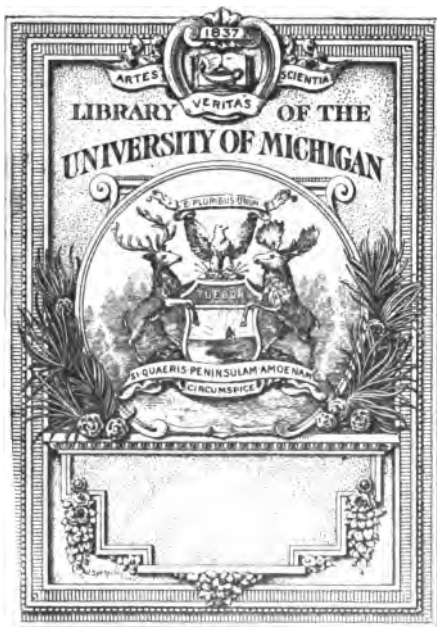
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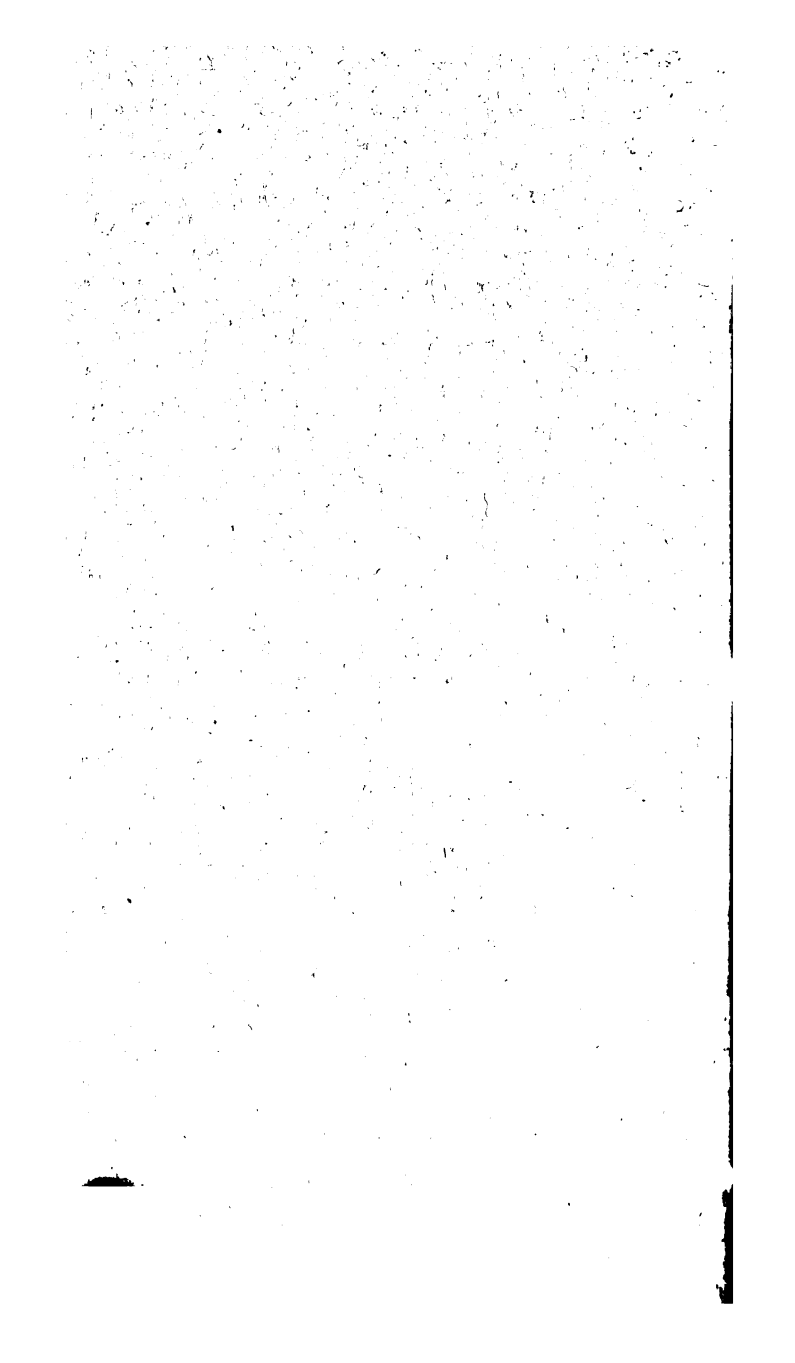
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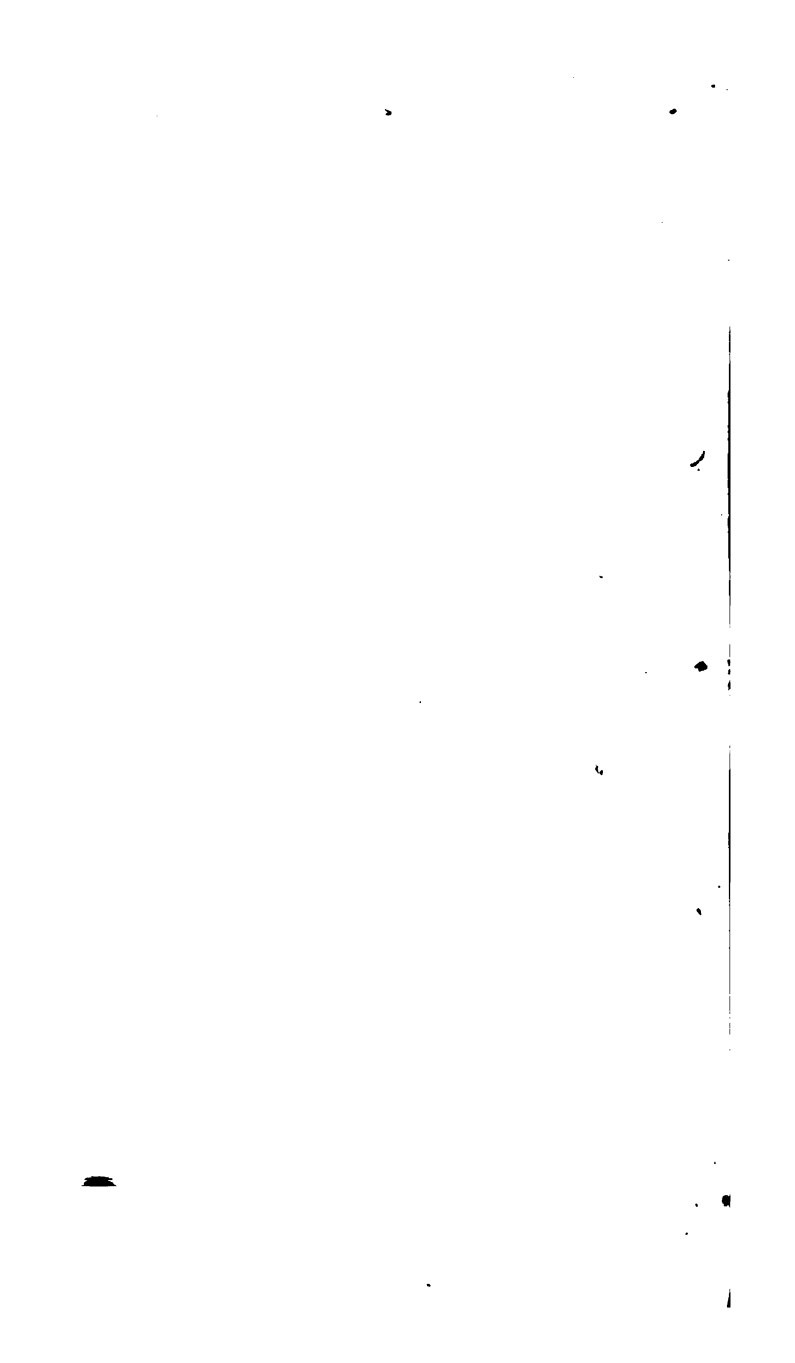
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2046

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OUR EMPIRE
under
Protection and Free Trade.



OUR EMPIRE

under

PROTECTION .

and

FREE TRADE.

BY

SIR GUILFORD L. MOLESWORTH,

K.C.I.E.

AUTHOR OF

"Imperialism & Free Trade,"

"Decimal Coinage" . . .

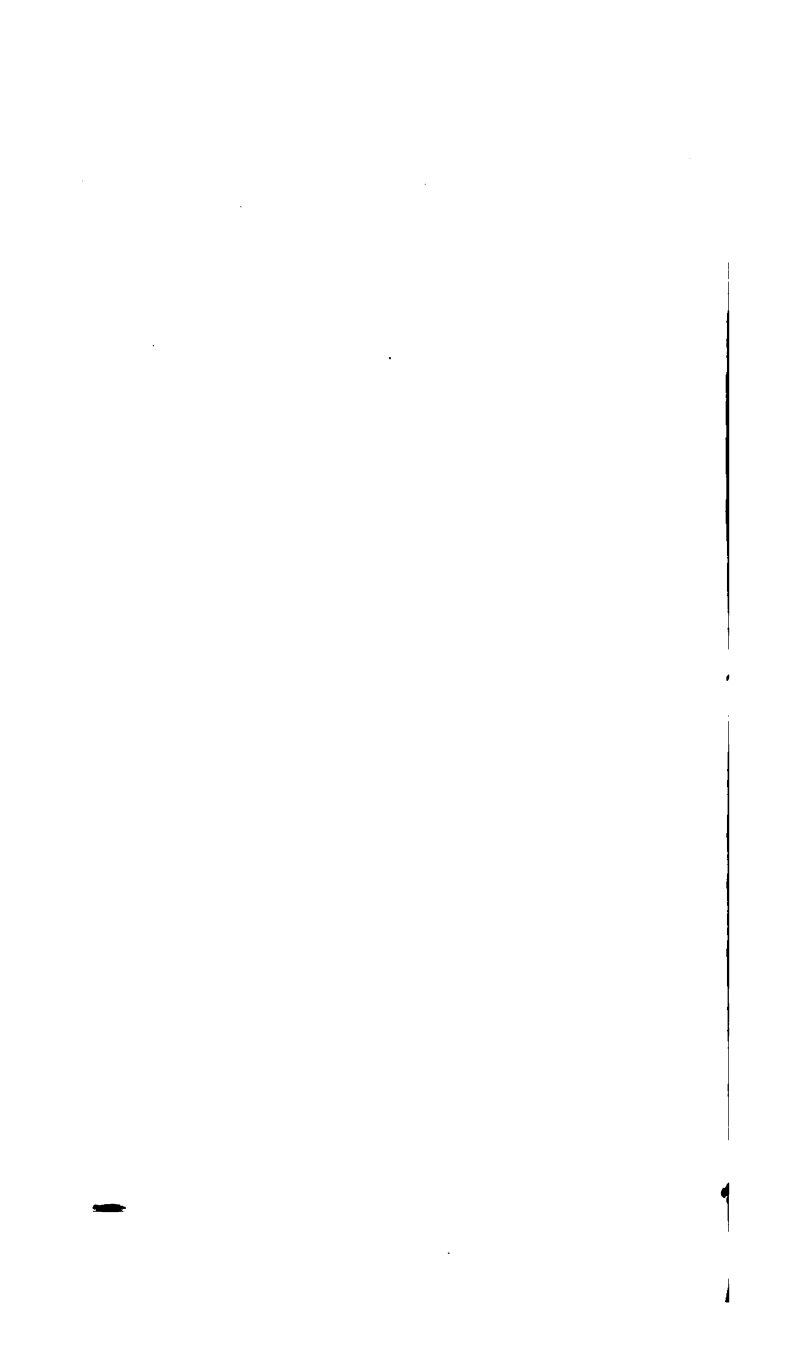
**"Political Economy in its
Relation to Strikes," etc.**

WITH DIAGRAMS.

WARD, LOCK & CO., LIMITED,

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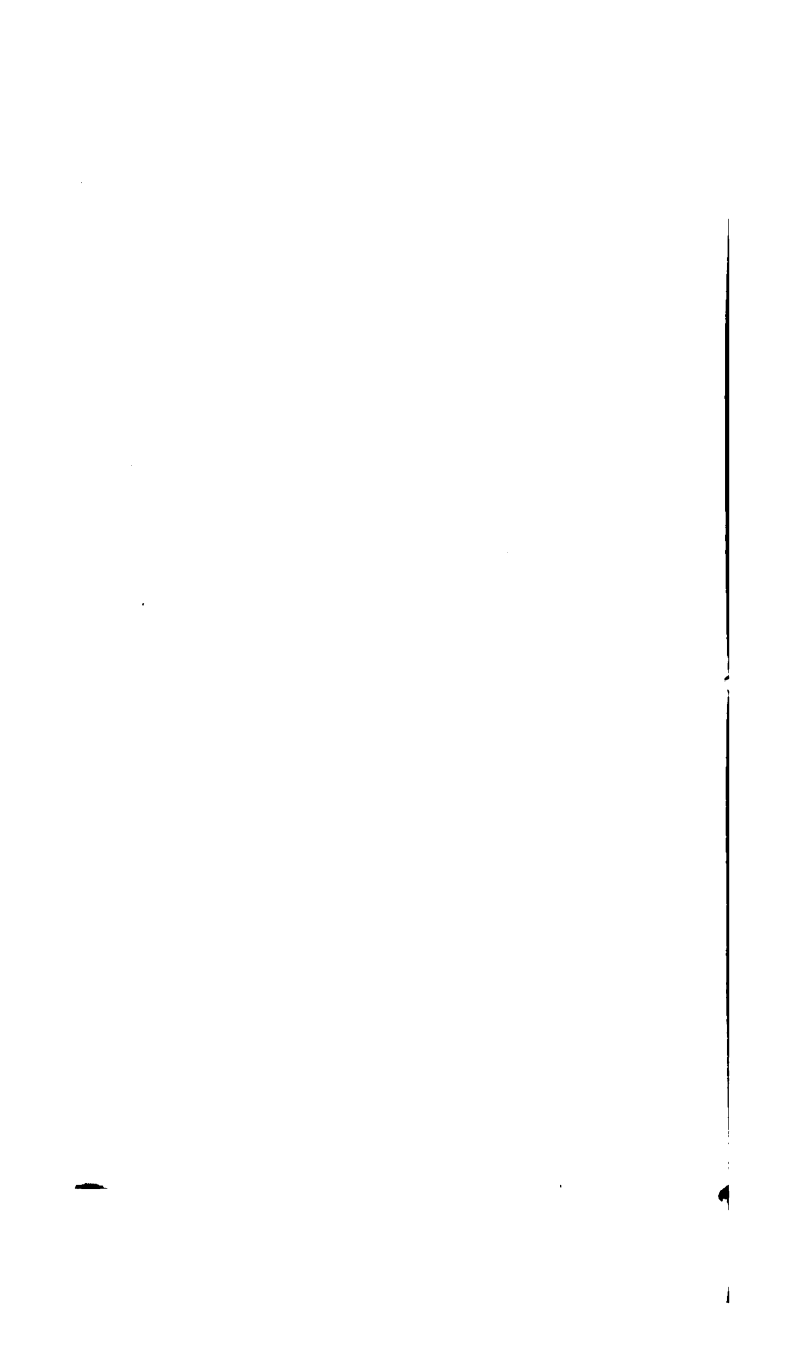
1902.



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OUR EMPIRE

UNDER PROTECTION AND FREE TRADE.

* * * *

OUR POLICY.

M. Merrimée, in recording his impressions of England, wrote :

“ That which strikes me most, in the English politics of our times, is its littleness. Everything in England is done with the view to keep place (*conserver les portes, feuilles*); and they commit all possible faults in order to keep twenty or thirty doubtful votes. They only disquiet themselves about the present, and think nothing about the future.”

The paralysing effect of our narrow party politics has imported into our statesmanship a weakness and in-

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decision which renders us ridiculous in the eyes of our Continental neighbours. In no particular is this littleness more conspicuous than in the timidity which our statesmen exhibit in dealing with the important question of commercial union of the Empire.

The British Empire has possibilities of a magnificent future; it has an area of nearly 12,000,000 square miles, a population of nearly 400,000,000. With its varied climate it is capable of supplying produce of every conceivable description. India, for example, has enormous wealth—agricultural, industrial, and mineral—but it is to a great extent undeveloped. It has inexhaustible supplies of coal and iron, chrome iron, hematite and manganese ore, manganese, copper, plumbago, lime, kaolin, gypsum, asbestos,

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mica, soft and hard wheat, food grains of every description, oil seeds, tobacco, cocoa, sugar, coffee, tea, spices, dyes, hemp, flax, fibres of every description. Its inhabitants are frugal, industrious, capable of great physical exertion, easily taught, and skilful in any work requiring delicate manipulation. Labour is absurdly cheap, and the soil, for the most part, wonderfully productive. With all these advantages, India is poor ; everywhere may be seen evidence of native industries crushed out by unlimited foreign competition. Attempts that have been made to revive such industries have failed for want of a little fostering Protection. Indigo manufactures have died out, tea and coffee struggle hard for existence, planters have been ruined, and their

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estates, purchased at depreciated rates, have enabled these industries to survive with some show of prosperity. Cotton spinning industries sprung up under a protective tariff, and appeared to be doing well, but Manchester called for a sacrifice of this industry, the tariff was abolished and the industry left to perish or struggle on as it could. Many who had embarked their capital in it on the faith of this tariff lost their money.

OPPORTUNITY FOR COMMERCIAL UNION.

The time has arrived when we must decide whether we shall maintain our vast Empire or allow its gradual disintegration. A great opportunity is now afforded ; shall we

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foster its industries and develop its enormous resources, or shall we allow the slow process of neglect to do the work of commercial disintegration and ruin? Shall we be content to sink into the condition into which Greece, Rome, Spain, and Portugal have fallen with the loss of their colonies? The United States of America, with all their wealth and prosperity, might have been our own but for our suicidal neglect of their interests, which forced separation on our unwilling subjects.

Shall we again neglect the plain teaching of history, and repeat the gigantic blunder by which we lost our American colonies? Some twenty years ago, our "Little England" policy put a very severe strain on the loyalty of our Colonies, and there

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were ugly indications both in Canada and Australia of a tendency towards separation. That policy has fortunately passed away, and the war in South Africa has evoked a splendid manifestation of enthusiasm and loyalty on the part of our Colonies; but the swing of the pendulum may again, in the future, bring to the front a policy of "Little Englandism," and strain their loyalty beyond endurance. Before the revolution in America, our subjects there were quite as loyal as those in Canada and Australia, yet their loyalty was insufficient to withstand the strain of neglect and disregard of their interests which led to their secession.

The present loyal feeling which animates our Colonies offers an opportunity of commercial federation which

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may never occur again if we fail to grasp it now. Our markets are everywhere contracting. Tariffs in all foreign nations are excluding our commerce, and the exclusion increases in intensity every year. Foreign nations are competing successfully with us, and beating us not only in neutral markets, but in our own. Our Colonies, year by year, are becoming more imbued with the necessity of protecting their industries by tariffs hostile to our trade. Canada and Australia have made wonderful progress under the policy of Protection; but, tainted as the English mind is with the influence of Cobdenism, they have not carried out that policy in the thorough and systematic manner which has been adopted by the United States with

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such signal success. A fiction, that the Colony of Victoria has been ruined by the adoption of this policy, was widely circulated by members of the Cobden Club. This fiction was based on a letter to one of the papers by a Mr. Robinson, whose figures were afterwards proved to be incorrect, and Sir Graham Berry exposed the fallacy. In the twenty years succeeding the adoption of the protective policy, the Colony of Victoria had doubled her manufactures, trebled her land cultivation, more than doubled her shipping tonnage, increased Savings Banks' savings five-fold, and exports of wheat eight-fold, and this was the more extraordinary when it is considered that the exhaustion of her goldfields had entailed a loss of wealth amounting in 1889 to about

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£2,400,000 as compared with the output of 1870.

CANADA UNDER PROTECTION.

Our policy is rapidly driving Canada into the arms of the United States. In 1879 Canada entered on a policy of Protection which has been eminently successful.

In 1897 she enacted a preferential tariff of 12% in favour of Great Britain, and this was increased to 25%, in hope of promoting a commercial federation, in which Great Britain should adopt a reciprocal system in favour of her Colonies. This loyal offer met with no response, and the motion in its favour was curtly rejected in our Parliament. A movement is now on foot in the

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United States to offer Canada concessions for a reciprocal trade agreement, and the Americans make no secret of their view that such reciprocity in trade will, by mutual commercial interests, lead ultimately to the union of the two countries.

Even without such reciprocity the United States are tightening their grasp on the trade of Canada, whilst Great Britain is rapidly losing ground.

PERCENTAGE OF THE TOTAL OF EACH
CLASS OF IMPORT.

	United States Increase.		British Decrease.	
	1897.	1899.	1897.	1899.
Fire Arms	88½%	96%	11½%	4%
Cutlery	64 "	79 "	36 "	21 "
Machinery	75 "	87 "	25 "	13 "
Castings and Forgings...	55 "	93 "	45 "	7 "
Railway Supplies	20 "	55 "	80 "	45 "
Pig Iron	32 "	85 "	68 "	15 "
Miscellaneous	13 "	60 "	87 "	40 "

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The foregoing table, prepared by an expert, who had been sent out to report upon the trade of iron and steel goods in Canada, shows how we are losing ground.

The Canadian Manufacturer of July 21st, 1899, published a list of miscellaneous articles, given in Appendix (No. 1), showing the increase of the United States imports, and the decrease of British imports into Canada.

The imports of wheat into Great Britain amount, in round numbers, to 68,500,000 cwts. yearly; of which Canada furnishes less than one-tenth, whilst the United States provide nearly one-half. Can any reasonable man doubt that if we were to establish a small preferential tariff in favour of our Colonies, the whole of the wheat

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trade would be diverted from the United States to Canada, while such a tariff would not in any way affect the price of bread? Again, Great Britain imports goods to the value of £523,000,000 sterling annually, and this by a well-considered system of preferential tariffs might, to a great extent, be diverted to our Colonies or Dependencies, whilst they, on their part, would give us preference in their markets. Such a policy would open to us a magnificent trade and extended markets, and would enable us to surpass the United States in as great a measure as they are now surpassing us.

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PREFERENTIAL TARIFFS.

Mr. Goschen, in a debate in the House of Commons on Preferential Tariffs in February, 1891, missed the point when he said :

“The suggestion is that they should keep a wall 10 feet high against us, and make it 11 feet high against the foreigner. Suppose we cannot get over that 10 feet wall? That is the great point !”

In fact the foreigner *does* get over the wall and competes successfully with us, as has been shown in the case of Canada. The reason why we cannot get over the wall is because we are bound hand and foot by our fiscal policy. We have thrown away our bargaining power, for our policy of free imports leaves absolutely nothing that we can offer for reciprocal con-

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cessions; and with marvellous inconsistency, by the illogical treaties of 1862 and 1865 with Belgium and Germany, we bound ourselves and our Colonies not to extend to our fellow-countrymen any terms more favourable than we or they extend to those nations which exclude our trade by hostile and ever-increasing tariffs.*

Lord Salisbury, in reply to a deputation of the Imperial Federation League, which urged Commercial Federation with our Colonies, said :—

“You have to solve two questions. You have to found a *Kriegsverein* and a *Zollverein*—a union for war and a union with respect to a customs’ policy. Every English politician knows that in the strong fiscal conditions which animate this country, and in the fact

* These treaties have lately been cancelled in consequence of forcible remonstrances from the Dominion of Canada

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that these conditions are not equally shared by our Colonies, lies one very serious difficulty of that Zollverein."

In other words, England must sacrifice in some degree its rigid adherence to the principles of Free Trade, and the Colonies, on their part, must make some concessions to secure the trade of England. It can easily be demonstrated that the sacrifice which England is called upon to make would be in reality a substantial gain.

POLICY OF FREE TRADE.

Our present fiscal policy is daily becoming more and more discredited by practical men of business, though few have the moral courage to denounce it openly. Professor Sidgwick, in his "Principles of Political Economy," has

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pointed out that the prestige of the Manchester School of Political Economy was established by the genius of John Stuart Mill, and by the prosperity that followed on the abolition of the Corn Laws, which gave "practical men a most impressive and satisfying proof of the soundness of the abstract reasoning by which the expediency of Free Trade had been inferred." And that this prestige had been "called in question by an apparently growing party of practical men, and is actually rendered dubious by the signal disappointment of Cobden's confident expectation that the example of England would be speedily followed by the whole civilised world."

In fact, the Manchester School of Economics has been assailed on all sides by later authorities. The modern

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German School of Economists scornfully repudiate it as "Manchesterthum," and Professor Jevons has gone so far as to declare:

"The only hope of attaining a true system of economics is to fling aside once and for ever the mazy and preposterous assumptions of the Ricardian School. . . . That able, but wrong-headed, man, David Ricardo, shunted the car of economic science on a wrong line; a line, however, on which it was further urged, towards confusion, by his equally able and wrong-headed admirer, John Stuart Mill."

Free Trade, so called, has had a patient trial of more than half a century, and it is now time to take stock of the results, in order to see how we stand. The results may be briefly summed up as follows:—Under our policy of Free Trade we have lost that commercial and industrial superiority which we acquired under

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the policy of strict Protection. Our policy of direct taxation bears heavily upon our industries, and reacts on the working classes in reduction of wages and employment. Our agriculture has been ruined, and our industries are struggling hard for existence. Other nations, under a policy of strict Protection, are beating us in the race of competition, not only in neutral, but in our own markets. The policy of Free Trade has not secured for us either the cheap loaf, low prices of provisions, or reduced cost of living; for all of these have been equally secured by nations under a strict protective policy. We have sacrificed the substance for the shadow.

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ENGLAND UNDER PROTECTION.

It is time that we should discard the fiction that England owes her wealth, her commercial and industrial superiority, to Free Trade. England acquired her superiority under a policy of strict Protection. Under that policy she developed her manufactures, and had a complete monopoly of them; she had the control of all the markets of the world, and became the greatest capitalist nation. Alison, in his "History of Europe," wrote:

"There is, perhaps, no example in the annals of mankind of a nation having made such advances in industry, wealth, and numbers as Great Britain has made since the peace. In the thirty years that have elapsed since the Battle of Waterloo, during which it has enjoyed, in Europe at least, almost uninterrupted peace, its population has increased more than one-half, having advanced from 18,500,000 to 28,000,000; its imports have

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doubled, having risen from £32,000,000 to £70,000,000; its exports have more than tripled, having swelled from £42,000,000 to £130,000,000, exclusive of Colonial produce; its shipping has doubled, having grown from 2,500,000 to 5,000,000 tons. . . . During the same period, the agricultural industry of the country has been so far from falling short of this prodigious increase in its commercial transactions, that it has signally prospered; the dependence of the nation on foreign supplies has steadily diminished, until *the grain annually imported had come* (on an average of five years, ending with 1835) *to be no more than a two-hundredth part in average years of the annual consumption*; and the prodigy was exhibited of a rural industry in an old state possessing a narrow, and long cultivated, territory not only keeping pace with, but outstripping an increase of numbers, and augmentation of food required for the purposes of luxury, unparalleled in any age." (Alison's "History of Europe," cap. xcv., 66.)

It should be noted that during this period the trade was of a far more healthy character than at present; for,

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at the end of this period, in 1846, we had a *favourable* balance of trade amounting to £66,000,000 ; whereas now we have an *adverse* balance of £168,000,000. It must also be remembered that during this period there were but few railways, and scarcely any steam navigation ; it was only at the end of this period that the great railway mania set in.

About 1835 an extraordinary era of prosperity sprung up throughout the whole civilised world. This was due to numerous improvements in arts, sciences, and inventions, as well as to improved communication by railways, steam navigation, and telegraphs, which made such rapid strides during the second quarter of the nineteenth century. England was the great pioneer in these improvements ; then

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came the great rush of gold from California and Australia, causing an expansion of the currency of the world, which is always accompanied by increased activity of trade. Foreign nations shared this prosperity as well as ourselves, but England was in a better position than any other nation to reap the advantages of this altered condition of affairs. As already stated, she had the markets of the world in her hands; she had developed her coal, her iron, and her textile industries, and had a complete monopoly of them; she not only supplied manufactures and machinery for the whole world, but as the great capitalist nation, she furnished funds for every public work abroad, with the understanding that plant and materials of every description should

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be supplied from England. The value of her investments increased enormously with the rapid development of the countries in which they had been invested, and she has been enabled constantly to re-invest the produce of these investments, so that her wealth as a capitalist has become enormous, and must now amount to many thousand millions sterling. The English people, generally, satisfied with this rush of prosperity and wealth, accepted, without enquiry, the persistent claim of the advocates of Free Trade for this result, and this idea has been so thoroughly ingrained into the English mind, that those who venture to question it, have been thought to be men beyond the reach of argument. In fact, Mr. John Bright, being chal-

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lenged by an elector of Birmingham to discuss the question of a tax upon corn, declined the challenge on the ground that "no facts or arguments could be placed before such a person with advantage."

ENGLAND UNDER FREE TRADE.

The year 1846, in which our present fiscal policy was adopted, opened auspiciously. In January, 1846, the Queen's Speech assured Parliament of

"The prosperous state of the realm, the increased demand for labour, and the general improvement that had taken place in the internal condition of the country."

Shortly afterwards the leading bankers and merchants of the City of London

"Thought it right to state, for the information of Parliament, that the commercial and

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manufacturing interests had been for some time in a state of great activity and prosperity."

The month of May, in the same year, witnessed the passing of the Act which formed the first step in our Free Trade policy. In vain it was urged that it would throw land out of cultivation ; that it would involve dangerous dependence on foreign supplies, and heavy taxation on England's industries. For many years England did not feel the blighting effects of Free Trade. She had a good start in the race, and it would naturally take years for other nations to overtake her ; but the capital which she recklessly expended in purchasing abroad commodities that might have been produced at home, gradually armed other nations with funds for successful competition with her. It was not until

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after twenty or twenty-five years that the effects of her policy began to be felt. The situation had to some extent been saved by the partial restriction of unlimited free imports in consequence of the Crimean and American Civil Wars. Our agriculture, being more heavily burdened by taxation than any other industry, was the first to suffer; and in 1879 a Commission was appointed to enquire into its depression. The evidence before that Commission disclosed a ruinous state of affairs. Amongst the causes which tended to aggravate the depression, the Commission assigned a prominent place to the pressure of local taxation, which had been greatly on the increase. Sir James Caird estimated the loss of farmers' capital in six years at £38,000,000 sterling.

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Mr. Giffen admitted that there had been an enormous depression involving losses equivalent to what is usually considered the whole of the farmers' profit. The evidence showed that the inroads made on agricultural capital rendered it impossible to continue good farming, and in many cases the land had sunk in condition and become foul, had run to weed, and gone out of cultivation. It was not long before manufacturing industries followed agriculture in its decay. In 1885 a Royal Commission was formed to enquire into the depression of various branches of trade and industry. This Commission considered agriculture "the most important industry, both as regards the amount of capital embarked, and its influence on national prosperity," but, while admitting the serious

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character of the depression, it could only suggest in mitigation of the evil a better regulation of railway rates, and the adjustment and reduction of taxation, which would afford some slight measure of relief. The evidence of those who were connected with the manufacturing industries showed that the depression was not of a temporary, but of a permanent, character; that it extended to nearly every class of industry, entailing loss of capital, diminished profits, and short employment of the working classes. The Commission, however, had but few definite recommendations to make, and these were not of a very practical nature, being principally confined to cheapening the cost of production, increased vigilance, search for new markets, technical education, and consular assistance.

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Cardinal Manning, speaking of this depression, said :—

“Every city has its unemployed; millions are in poverty, agriculture languishes, land is going out of cultivation, trades are going down, mills and furnaces working at half time, strikes run through every industry. Is there a blight on our mountainous wealth? At this day we have 3,000,000 poor, who, in the course of the year, are relieved in some way by the Poor Laws.”

In 1889, Mr. Samuel Smith, M.P., said :—

“The last eighteen years have been the gloomiest of the whole commercial history of the country, wages being constantly forced down, and the relations between employers and employed strained to the uttermost degree.”

In February, 1901, Mr. Macara, President of the Master Cotton Spinners' Federation, stated :—

“In the last twenty-five years Great Britain's consumption of American cotton

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only increased about 10 per cent., whilst the world's consumption increased about 250 per cent. During the great depression in England's cotton industry, from 1892 to 1897, 4,000,000 spindles were broken up. Whilst England practically remained stationary, it is estimated there was an increase of no fewer than 15,000,000 spindles abroad in the last ten years."

Lord Masham stated that the silk trade of England had been ruined by foreign competition, and Mr. Kipling, a silk manufacturer, in contradicting Sir Lyon Playfair's assertion that employment was general and wages good, stated that the greater part of silk weavers had no work, though quantities of foreign goods were imported each week.

The state of the woollen trade was scarcely more satisfactory. In 1879, Mr. John Bright comforted the

Protection and Free Trade.

Bradford woollen manufacturers in their depression by telling them :—

“Home trade is bad, mainly or entirely, because harvests have been bad for many years; the remedy will come with more sunshine and better yield of land; without this it cannot come. I believe that owners or occupiers of land have lost more than £150,000,000 through the great deficiency of harvest.”

Twenty-two years have elapsed, but the remedy has not come. Agriculture is in a more ruinous state than ever, and the woollen trade of Bradford has received its *coup de grâce* from the McKinley Tariff of 1891.

An official consular return which was issued October 22nd, 1892, on the value of exports from the consular district of Bradford to the United States, during the month of September, indicates a decrease on the corresponding month

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of 1891 of £323,546 sterling, or a total decrease for the nine months of 1892, as compared with the nine months of 1891, of £1,861,065 sterling. How heavily Bradford trade has been handicapped by the McKinley Act may be seen from the fact, that the decrease in all woollen exports of the United Kingdom to all parts of the world in the nine months of 1892, as compared with the nine months of 1891, has been £9,984,191. No less than about one-fifth of this decrease, therefore, is accounted for alone by the decline of the Bradford export trade to the United States. Those in the Bradford trade were told that the McKinley Tariff would not hurt them, because the volume of trade with other countries would increase. For the first nine months of 1892 the total exports of

Protection and Free Trade.

worsteds from all parts of the world were of the value of about £6,750,000 sterling. During the first nine months of 1891 the value was £8,500,000. There has thus been a falling-off of £1,750,000, or almost precisely the falling-off which has taken place in this branch of exports to the United States alone. The linen trade is apparently dying out.

It was computed that the iron industries of Great Britain had lost £160,000,000 in four years; thus parting with its valuable, but by no means inexhaustible, capital at a loss. But of such details the Board of Trade statistics of commerce take no account.

The *Iron and Coal Review* describing the depression in 1878 stated that the collieries were only

Our Empire under

kept going at heavy loss, and some coal-owners were ruined. To enable the South Wales collieries to be kept partially going, the men "lent" the masters, as it is called, a shilling in the pound.

In 1893 the condition of our agriculture had gone from bad to worse, and a Royal Commission was again appointed to enquire into its depression. The report of this Commission showed that the ruin was complete, especially with regard to arable land. Mr. Pringle, the Assistant Commissioner, prepared a ghastly map of a portion of Essex, formerly a prosperous wheat-growing district. The map is strewn over with a profusion of black patches, indicating the farms that have passed from good wheat cultivation to coarse, weedy pasture.

Protection and Free Trade.

The whole report teems with evidence showing that, in many cases, rent has been entirely paid out of capital, that the capital of farmers has been gradually exhausted, that stock, horses, and cattle have diminished, that the land has seriously deteriorated, and that which has been left alone has gradually "tumbled down" to weeds. That property has constantly been changing hands; farmers are in debt, freeholds heavily mortgaged, and mortgagees losing their money. One property purchased, during prosperous times, for £8,000, has been sold for £420. Land mortgaged for £9,000 has been foreclosed, with the result that the land can neither be let or sold, and the mortgagee is out of pocket, having to pay tithes, rates, taxes, as

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well as the wages of a caretaker. In short, the evidence disclosed a state of absolute ruin on all sides. More than 3,000,000 acres have gone out of cultivation between the years 1868 and 1893, namely, 1,757,000 acres of wheat, 804,000 of grain, and 612,000 acres of green crop. Meanwhile it is a significant fact that while the production of wheat and grain has fallen off in England in so serious a manner, it has increased largely in Protectionist countries. Between 1831-40 and 1887 the production of grain has increased in France 41%, in Germany 143%, in Holland 150%, in Belgium 127%, and in Italy 104%. In like manner the production of wheat has increased in France 44%, in Germany 100%, in Holland and Belgium 100%, in Italy 135%.

Protection and Free Trade.

COMPARATIVE PROGRESS.

VALUE OF SPECIAL EXPORTS FROM RESPECTIVE COUNTRIES IN ENGLISH CURRENCY.

Country.	1890.	1899.	Increase.	
	£	£	£	Per Cent.
Germany ...	166,405,000	210,350,000	43,945,000	26½
Belgium ...	57,481,000	77,972,000	20,491,000	35½
Holland ...	90,137,000	130,605,000	40,468,000	45
France	150,136,000	166,104,000	15,968,000	10½
Italy	35,838,000	57,257,000	21,419,000	59½
Austria ...	64,281,000	77,566,000	13,285,000	20½
United States ...	176,103,000	261,027,000	84,924,000	48½
United Kingdom	263,531,000	264,492,000	961,000	⅓

Of late there has been renewed activity of trade throughout all civilised countries, probably due to the world's increased production of gold; but England's share of this prosperity has been insignificant, while Protectionist nations have made

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great advances during the past decade. The foregoing figures, compiled from the last Board of Trade Statistical Abstract of Foreign Countries (No. 27, 1901), show how England is lagging in the race with other countries.

The table shows that, while our share of the increased activity of trade during the last ten years is represented by less than a million, that of the United States is represented by nearly £85,000,000 ; and, whilst our increase of exports is represented by $\frac{1}{3}$ of one per cent., that of the United States is represented by $48\frac{1}{4}$ per cent. Surely there must be something rotten in our policy which shows such a contrast, while the United States are handicapped by rates of wages nearly double those which prevail in

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England, and are hampered by the policy of strict Protection, under the McKinley Act, which our statesmen predicted would be the ruin of America.

The McKinley Act has, however, proved to have been an unqualified success.

UNITED STATES UNDER PROTECTION.

It has been already shown how England acquired her commercial superiority, and her position as the capitalist nation of the world, under a policy of strict Protection, and how she is losing it under the policy of Free Trade ; and it will be instructive to inquire how the United States

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have fared under different periods of Free Trade and Protection.

There have been several periods during which, under the influence of economic charlatans, the United States have relaxed their policy of strict Protection. These periods have been marked by depression of trade and distress, whilst the periods of strict Protection have been marked by activity of trade and general prosperity. In 1789 the policy of protective duties was affirmed, and between 1789 and 1822 additional Acts were passed, increasing the rates of duty. The country enjoyed remarkable prosperity during that period. Washington, in his message of 1795, said:—

“Our agriculture, commerce, and manufactures prospering beyond former example,

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with burdens so light as scarcely to be perceived."

In 1801 Jefferson congratulated Congress on the revenue derived from tariff duties, and suggested that they might safely dispense with all internal taxes; and in 1807 he was able to advise Congress of a heavy surplus of \$14,000,000 in the revenue. In 1812 the existing duties were doubled, and 10% was added to all imported articles. Under this policy the United States made wonderful progress in the development of their industries; and, in spite of their three years' war with England, were richer at the close of the war than before. In 1816 the Free Trade policy prevailed, and Mr. Clay, Speaker of the House in 1823-4, said :—

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“The general distress which pervades the whole country is forced upon us by numerous facts of the most incontestable character. It is most painful for me to dwell upon the gloom of this picture, but I have exaggerated nothing; perfect fidelity to the original would have authorised me to throw on deeper and darker hues.”

In 1824 protective duties were again imposed; and the prosperity which followed the imposition of these tariffs encouraged the legislature to increase them in 1828. Mr. Clay, in a speech in the United States Senate, in 1832, said:—

“If I were to select any term of seven years, since the adoption of the present constitution, which exhibited a scene of the most widespread dismay and desolation, it would be exactly that term of seven years which immediately preceded the establishment of the tariff in 1824. If the term of seven years were to be selected of the greatest prosperity which this people have enjoyed since the establish-

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ment of their present constitution, it will be exactly that period of seven years which immediately followed the passage of the tariff of 1824."

In 1833 an Act reducing the duties was followed by a period of disaster ; but, under the Protective Tariff of 1842, the prosperity of the country revived, and was followed by an almost phenomenal increase in all industries of the country. In 1846 party politics again prevailed, and the "Free Trade" tariff was enacted, but the evil results were obscured for a time by the great progress in railways, steam navigation, and other conditions, which, as previously mentioned, imparted to Free Trade in England a fictitious prestige for the results unfairly claimed as its work. The reaction, however, soon arrived, and, in 1857, Mr. Buchanan said :

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“ With unsurpassed plenty in all the elements of national wealth, our manufactures are suspended, our public works are retarded, and private enterprises of different kinds are abandoned, thousands of useful labourers are thrown out of employment and reduced to want.”

In 1861 the “ Morill ” Protective Tariff was introduced, and, despite the sudden outburst of the great Civil War, and all the evils that accompanied it, including the industrial paralysis of the eleven seceded States, the country was enabled to sustain itself, to revive, and to increase in an extraordinary degree its manufacturing industries. In 1891 the McKinley Tariff was enacted. It was simply a variation of that strict policy of Protection which, commencing with the Morill Tariff, in 1861, had been pursued with eminent success. It was a very care-

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fully considered Act, and embraced a more stringent policy of Protection for those industries which required development. It met with great opposition, and our English statesmen in general, and the Cobden Club in particular, prophesied utter ruin to the United States from its adoption. It has, however, been a complete success; but in 1892 a Free Trade administration, under President Cleveland, was inaugurated: and in 1894 the Wilson Gorman "Compromise Tariff" was passed, reducing, to some extent, the McKinley Tariff. The activity of trade was somewhat checked by this Act; but in 1896 Mr. McKinley was elected President, and in 1897 the Dingley Protective Tariff came into effect with unprecedented prosperity. The following table shows the increase

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of exports of some of the principal manufactures, and proves that the export trade of the United States has not suffered from the high protective tariffs. A rebate of 99 per cent. is allowed on the import duty on raw materials when exported in a manufactured form.

EXPORTS OF SOME OF THE PRINCIPAL MANUFACTURES OF THE UNITED STATES TO FOREIGN COUNTRIES.

Manufac- tures.	1890.	1900.	Increase per cent.
	\$	\$	
Iron & Steel	25,542,000	121,858,000	377
Cotton ...	9,999,000	23,890,000	139
Leather ...	12,439,000	27,289,000	119½
Paper ...	1,227,000	6,215,000	406½
Flax, Hemp, etc. ...	2,095,000	4,438,000	111½
Wool ...	438,000	1,253,000	186
Glassware ...	883,000	1,903,000	119
Brass ...	467,000	1,866,000	300

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AMERICA PASSING US AT A CANTER.

Even Mr. Gladstone admitted:—
“America is passing us by in a canter.” A Free Trade country passed in a canter by one so heavily handicapped by Protection! What a confession of failure!! The excuse is that America is a young country with abundant room for development; but the British Empire, under a Commercial Union, would enjoy these advantages in a far greater degree; moreover, this excuse cannot hold good with regard to Germany, which is also pressing us very closely. Mr. Ernest Williams’ book, “Made in Germany,” disclosed the very serious menace to our trade from this source; and Sir Courtenay Boyle, who was

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deputed by the Board of Trade to demolish the "scare of the German invasion," was constrained to admit that the competition of Germany and the United States was increasingly serious; that every year would add to their acquired capital and skill; and that the "change of conditions must be recognised, for we could scarcely expect to maintain our past undoubted pre-eminence, at any rate, without strenuous efforts." The American competition is far more formidable than that of Germany; for her protective policy is far more complete, systematic and stringent.

The successful competition for locomotives, and for the great viaducts of Gotek, of Atbara, and of the Uganda Railway has already been brought prominently before the public, and

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the Washington Bureau of Statistics shows that in 1900 the United States sent to England eighty-four locomotives, 128 stationary engines, 5,700 car wheels, 13,000 tons of wire, and electrical machinery to the value of £313,000.

If America had pursued the policy of free imports she could never have developed her manufactures. She would have remained a huge agricultural country, exchanging her agricultural produce for our manufactures; even as it is she experienced the greatest difficulty in developing her resources. Whenever she attempted to start an industry the English manufacturers killed it by dumping down upon her a quantity of materials at low prices, and again raising the price as soon as the

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industry had been ruined. It was only by imposing high tariffs that industries could be developed. This was specially the case with the iron, steel, and tinplate industries. In 1846 iron rails were sold in the United States at \$50 per ton, but as soon as the tariff was removed English manufacturers reduced the prices of rails to \$40, swamped the market, then, after having ruined the industry in the United States, they raised the price to \$75.

In 1867 steel rails were sold in the United States for \$150 per ton, but under a heavy tariff the steel rail industry was established in the United States ; and in 1883 the price had fallen to \$40. Sir Lyon Playfair, as the apologist for the Cobden Club, has endeavoured to

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account for the fall by improved processes of manufacture, which, of course had some slight share in it, but the only improvement that would very materially cheapen the cost of steel rails is the "Bessemer Process," which was invented as early as 1855, and was in full use long before the dates above mentioned. The reduction of price is fully accounted for by the fact that between 1868 and 1899 the output of steel rails in the United States increased from 8,618 tons to 2,270,000 tons. The output of the United Kingdom decreased from 1,019,000 tons in 1890, to 838,000 tons in 1899.

Germany experienced similar difficulties with her iron and steel industries, which were swamped by English produce, and almost extin-

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guished. Bismarck infused new life into these moribund industries, by the imposition of a heavy import tariff, and this has enabled Germany not only to develop these industries, and to compete successfully with us, but even to import into England large quantities of iron and steel both rough and manufactured.

The case of the tin-plate industry is very instructive. In 1891, when Mr. McKinley proposed an increase of tariff, in order to develop the tin-plate industry, he said :

“They sneer at every attempt to establish new factories. It is the same sneer and frown which has been exhibited towards our industries and enterprises since 1861, but in spite of them we now lead the world in manufactures, agriculture, and mining. They insist that we cannot manufacture tin-plate; so they said about steel rails, plate-glass, cutlery, and pottery.”

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Before the McKinley Tariff came into operation, on 1st July, 1891, there was a duty of one cent. per lb. on tin-plates. Under this duty an attempt was made to start the tin-plate industry, but it was killed by English competition. In 1891 the McKinley Act raised the duty to 2·2 cents. per lb. The English tin-plate industry was reduced to the verge of ruin; many mills were closed, some manufacturers transferred their capital and their best workmen to the United States. The production of tin-plate in the United States rose from 18,803 tons in 1892 to 326,918 tons in 1898, whilst the imports of tin-plate into the United States fell from 268,472 tons to 67,273 tons. In 1900 a strike amongst the workmen in the United States enabled the English industry

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to revive somewhat, and the wages of workmen in tin-plate factories of the United States were raised 24%. The following results have, therefore, been achieved in the United States by the McKinley Tariff in the tin-plate trade alone: A new industry has been developed; capital has been attracted to the United States; the price of tin-plates has been lowered to the consumer; the wages of workmen have been raised; a large revenue has been obtained from the duty on tin-plates, saving other taxation; and the money, which formerly went abroad, circulates amongst the different trades in the United States. Similar results had previously been achieved in the case of iron and steel, cutlery, glass, pottery, and other industries.

With such results is it possible that

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Protection can be so baneful a policy as the Cobden Club wish us to believe?

PRODUCTION OF PIG-IRON.

	1872. Tons.	1899. Tons.	Increase per cent.
France	1,218,000	2,578,000	111½
Germany	1,988,000	8,143,000	309½
United States	2,549,000	13,744,000	440
U. Kingdom ...	6,742,000	9,421,000	39½

PRODUCTION OF COAL.

	1880. Tons.	1899. Tons.	Increase per cent.
France	18,805,000	32,331,000	72
Germany	46,974,000	101,040,000	115
United States	63,823,000	226,554,000	255
U. Kingdom ...	146,969,000	220,095,000	50

Of late years the world's consumption of produce of all kinds has increased in an extraordinary degree, and especially in iron and coal; but

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Protectionist nations are outstripping Free Trade England in their share of this increase. This may be seen by the foregoing tables, which have been compiled from the Board of Trade Statistical Abstract of Foreign Countries for 1901. In the case of France and Germany the tons are metric (2,204 lbs.) ; in the case of the United States and the United Kingdom the ordinary ton (2,240 lbs.). These statistics also show that in 1872 we were 4,000,000 tons in advance of the United States in the production of pig-iron, and that now we are 4,000,000 tons behind them.

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INFLUENCE OF THE CORN LAWS.

A study of the Corn Laws, and the prices of wheat under those laws, brings some curious facts to light. It shows that unlimited free import engenders a dependence on foreign supplies, which tends to raise the price of wheat, should there be any interference, whether real or anticipated, with the sources of supply. It shows, moreover, that the Corn Laws are inoperative in keeping up high prices of wheat; that the repeal of the Corn Laws in 1846 was quite unnecessary; and that it was urged on the false assumption that they raised the price of wheat. It shows, moreover, that the temporary distress, which led to the repeal of the Corn Laws, had nothing whatever to do with those laws; and that the present low price

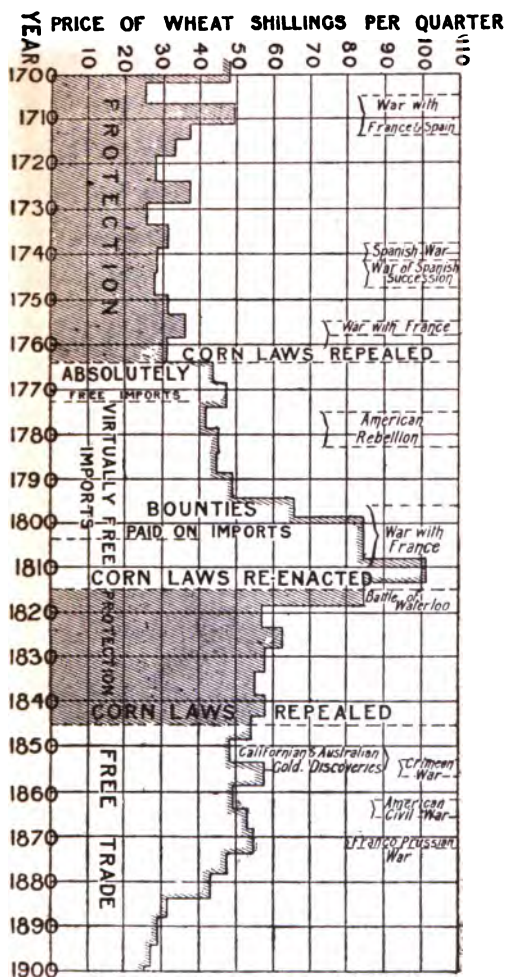
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of wheat has been due to other causes, and has been shared by other countries equally with ourselves. The accompanying diagram (No. 1) gives the average price of wheat during the 18th and 19th centuries, under different conditions of Corn Laws. It shows:

1st.—That from 1700 to 1765, under stringent Corn Laws, the price of wheat was maintained low and steady, at an average of 33s. 3d. per quarter, in spite of the severe struggles in which England was then engaged—notably the Continental war of 1748, the seven years' war of 1756-63, and the rebellion and civil war of 1745.

2nd.—In 1765 these Corn Laws were repealed. The importation of wheat was absolutely free from 1756 to 1773, and for the greater portion of the period, from 1773 to 1815, the laws for

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VARIATIONS IN THE PRICE OF WHEAT
DURING THE 18th & 19th CENTURIES

(DIAGRAM No. 1.)

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restraining the importation of wheat were wholly inoperative, and subsequently even bounties, amounting, in 1796 to 1803, to nearly £3,000,000, were paid on foreign imports of corn. The dependence of England on foreign supplies had become so great that the price of wheat advanced, and when war put a stop to the foreign supplies, it rose to famine rates. In 1812 it was as high as 126*s.* 6*d.* per quarter.

3rd.—In 1814 matters had become so serious that it was necessary to re-enact stringent Corn Laws, under which the price of wheat fell from 102*s.* 6*d.*, the average of the five years 1810 to 1814, to 50*s.* 9*d.* for the three years 1843-45 preceding their repeal.

4th.—In 1846 the Corn Laws were

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repealed ; and, although the improved processes of agriculture, the inventions of science, the immense extension of railways and steam navigation largely reduced the cost of producing wheat and bringing it to market, yet the average price of wheat for the thirty years 1846-75, was actually 2*s.* 2*d.* per quarter higher than that of the three years preceding the repeal of the Corn Laws. The price of wheat has fallen to 26*s.* 11*d.* in 1900, but our dependence on foreign wheat is so great that, should we embark on a war against strong maritime Powers, the price of wheat would rise to famine rates, as in 1812. The danger of dependence on foreign supplies has been shown by the fact that during the Crimean War, even though we had complete command of the seas,

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the average price of wheat under Free Trade rose to 74s. 8d. per quarter, which was the *highest price touched since 1818.*

That the present fall of price has not been due to the repeal of the Corn Laws is evident from the fact that it has not been confined to England, but is common to Protectionist countries as well. It is the result of increased production, improved methods of transport, cultivation, and harvesting by machinery.

Commendatore Bodio gives the following average prices of wheat per ton in the principal European markets for the sixteen years 1869-1884. London £11 11s., Paris £11 18s., Berlin £10 8s., Brussels £11 18s., Amsterdam £11 8s., Rome £11 4s., Buda Pesth £9 18s.; Vienna, £8 12s.; so

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that, with the exception of Paris and Brussels, the price of wheat in the principal Protectionist markets of Europe has been lower than in Free Trade London.

In 1813 a select Committee on the Corn Trade reported that the high price of wheat was due to the dependence on foreign supplies, and recommended a return to that policy of Corn Laws which had been "so beneficial from the time of their commencement, in 1670, until their abandonment, in 1765." At the same time they pointed out that the corn trade between this country and the Continent was virtually a free trade between 1765 and 1813, as the laws regulating it were inoperative, but that "none of the advantages were the result which those

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who advocate the principles of Free Trade assume to belong to it." The Corn Laws were therefore re-enacted, with the result that, not only did the price of wheat fall considerably, but the dependence on foreign supplies steadily diminished, until the grain actually imported on an average of five years ending 1835, was no more than a one-two-hundredth part of the average year's consumption; and, notwithstanding the greatly increasing population, the price of wheat had fallen in 1835 to 39s. 4d., the lowest price that was touched during the half-century 1800-1850.

The distress of 1843, which led to the Anti-Corn Law agitation, had nothing to do with the Corn Laws; for the price of wheat was at that time lower than it had been

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during the century, with the exception of 1835, and the retail price of bread was abnormally low.

The real cause of this distress has been described in Allison's "History of Europe." Briefly, it was caused by the action of the President of the United States, who required all purchases of public land, and all payments to Government, to be made in specie. This caused a drain on the gold reserves of the Bank of England, which only escaped insolvency by borrowing £2,000,000 sterling from the principal bankers of Paris. The Bank of England, in self-defence, was forced into measures which contracted the currency, thus giving rise to a monetary crisis, which caused bankruptcies and a general depression of all industries, and this was, of course, followed

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by reduction of wages and want of employment. The distress was not caused by dear bread, but by want of money to purchase it. It was a money famine, not a bread famine. Earlier in the century a similar crisis was caused by the contraction of the currency, when the eminent financier, Alexander Baring, commenting on this crisis, said :

“An alteration in the value of currency is what few, even the wisest, generally perceive. They talk of an alteration in the price of bread and provisions, never reflecting that the alteration is not in those articles, but in that of the currency in which they are paid.”

In 1843 wheat was at the lowest price during the century, with the exception of 1835; and even Mill admitted that

“So rapid had been the extension of improved processes of agriculture that the

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average prices of corn had become decidedly lower, even before the repeal of the Corn Laws." ("Political Economy," Book I., cap. xiii.)

Modern writers have fallen into the error of supposing that the object of Corn Laws was to keep up the price of wheat to the limit of free import. This was not so; nor could the Corn Laws have that effect. Their object was to diminish the dependence on foreign supplies; to prevent the foreigner from swamping the home market, thus injuring the home producer; and, at the same time, to make the foreigner pay his fair share in the taxes of the country. That the Corn Laws could not keep up the price to the limit of free import is abundantly shown from the fact that, although the Act of 1814 fixed the limit at 80s.

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per quarter, the price fell until, in 1821, it was as low as 56s. ; and though the Act of 1822 fixed the limit at 70s., in 1835 it fell to 39s. 4d., the foreigner, meanwhile, paying the duty on the imported wheat, bore his fair share of taxation. Equally impossible is it that the abolition of the Corn Laws should keep down the price, as has been shown by the famine rates of wheat in 1814, and also during the Crimean War under free importation.

THE "CHEAP LOAF" FALLACY.

Ignorant people and shallow thinkers fail to realise the absurdity of the electioneering cries of the "big and little loaf!" and "taxing the poor man's bread!" They overlook the fact that the value of wheat in the loaf is not

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the only item of which the retail price is made up. There are, in addition, the cost of grinding, the miller's profit, the middleman's profit, the cost of baking, the cost of distribution, the baker's profit, and last, but not least, the arbitrary rules of the Bakers' Association.

Diagram No. 2 shows the value of wheat in a 4-lb. loaf, calculated from the yearly average price of wheat during the 19th century, and it also shows the wholesale and retail prices of a quartern loaf, so far as it has been possible to obtain statistics of such prices.

The retail price of bread shown in the Diagram in the period 1800-13 is the average assize price of bread in each year. That of the period 1821-47 has been taken from the

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Tables of the Revenue U. K. for 1847.

For the period 1889-1900 the retail prices have been furnished by a large retail baker's company in London. The dotted line, 1893-1900, represents the co-operative prices of bread. The wholesale prices are from the contracts for bread supplied to the troops in the London and Middlesex district.

The value of wheat in a quartern loaf, corresponding to each shilling per quarter of wheat, is a little more than one-third of a farthing; so that a tariff of 2s. 6d. per quarter of wheat would, if the tax fell upon the consumer, increase the cost of the 4 lb. loaf only by one farthing; but, as will be hereafter shown, in the instance of Italy, Germany, and France, the tax on wheat has fallen upon the foreign producer, and the price of bread has

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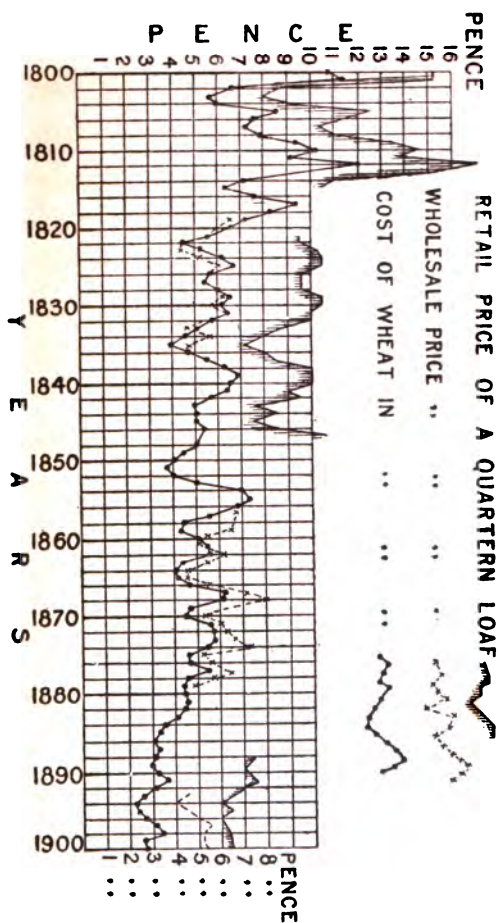


DIAGRAM NO. 2.

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not risen with greatly-increased duties, whilst, at the same time, the revenue has been increased by the duty on imports.* Between the years 1821 and 1847 the difference between the wholesale price of commissariat, or hospital bread, and the retail price of household bread was generally about 3*d.* in the quartern loaf, and sometimes as high as 5*d.*, whilst the retail price of "wheaten bread" was 1*d.* to 1½*d.* higher than "household bread."

WAGES.

Mr. Gladstone, in his Newcastle speech of 1891, claimed for Free Trade the merit of having raised the wages of British workmen, and

* The proposed tax of 3*d.* per cwt. would represent about one-eighth of a farthing in the value of wheat in the loaf of 1-lb. weight.

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increased their comforts; but the wages in Protectionist countries have risen in a greater proportion than in England. According to Mulhall, the relative increase of wages for day labour between the years 1835-40 and 1880 has been as follows: England 50%, France 66%, Germany 125%, Holland and Belgium 122%, United States 57%, so that England appears to be the lowest.

	England.	United States.
	£ s. d.	£ s. d.
Bricklayers	1 13. 4	3 7 6
Boilermakers	1 12 4	3 8 9
Carpenters	1 11 3	3 2 6
Farm hands	0 12 6	1 14 0
Labourers	0 17 1	1 13 4
Masons	1 13 4	3 7 6
Shoemakers	1 5 0	2 10 0
Watchmakers	1 13 4	3 15 0
Painters... ..	1 11 3	3 2 6

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The chief of the Massachusetts Bureau of Labour Statistics has given the foregoing comparative statement of wages in England and the United States.

The United States Census, Vol. 20, gives a comparison of the average weekly wages of 102 different industries in England and the United States, skilled and unskilled; the average wage for England is equivalent to \$6·27, whilst that of the United States is \$12·5.

COST OF LIVING.

In "Iron," January, 1884, the relative cost of common articles in England and the United States was given as follows :—

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Article.	United States.	England.
Beef, lb....	12c.—20c.	14c.—30c.
Butter ...	80c.—88c.	37 —42
Coffee ...	20c.	28c.
Tea ...	40c.	48c.
Sugar ...	5c.—8c.	5c.— 8c.
Flour ...	3½c.	4c.
Petroleum, gallon ...	8½c.	15½c.
Potatoes, pk....	15c.	32c.
Hand-saws, doz. ...	\$5	\$6
Jack Planes ...	\$10	\$15
Trowels, doz. ...	\$7.50	\$8.25
Shovels ...	\$5	\$7.48
Cast Shears ...	\$4.20	\$6
Car. bolts, gross ...	\$1.75	\$2.12
Cot. cloth ...	\$1.30	\$1.10
Prints ...	\$1.10	\$0.90
Denims ...	\$0.63	\$0.58
Satinettes ...	\$4.50	\$3.66
Shoes ...	\$2.50	\$3
Blankets (4lb. Army) ...	\$2.56	\$2.25

It will be observed that most of the articles were cheaper in the United States than in England, though some of the textile fabrics were dearer. Between 1880 and 1890 the textile

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industries of the United States have been greatly developed, and in that period there was a reduction of 25 to 33% in such articles as muslin, calico, gingham, woollen dress goods, carpets, etc., and a reduction of 30 to 50% in ready-made clothing; and in the decade, 1890 to 1900, still further developments have taken place in textile manufacture. (See Appendix No. 4.) It is evident therefore that the necessities of life in Protectionist America are cheaper than in Free Trade England, while the wages are nearly double.

Taking Bodio's prices of wheat in the principal Continental markets, for an average of sixteen years, the cost of wheat in a quartern loaf, compared with the London cost, is as follows: In Paris and Brussels three-quarters of a farthing more; in Amsterdam

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one-quarter of a farthing less; in Rome half a farthing less; in Berlin 2 farthings less; in Buda Pesth $2\frac{3}{4}$ farthings less; and in Vienna 5 farthings less than in London — so that Free Trade can scarcely be said to have given us the cheap loaf.

The price of meat per ton in Smithfield has increased from £41 8s. in 1840, to £61 in 1889. In 1880 the price per ton of meat was in England £69, in Holland £45, in Milan £53, in Naples £67, in France £64.

Taking the cost of food generally, Mulhall gives the following rates per week, allowing the same quantity of bread, meat, cheese, milk, coffee, &c. :

	s.	d.
Great Britain ...	11	0
United States ...	10	0

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		<i>s.</i>	<i>d.</i>
Belgium ...	...	10	0
Spain ...	...	10	0
Germany	...	9	0
France ...	...	8	0
Italy ...	...	8	0

So that by this authority the cost of food in England is greater than in Protectionist countries.

It is a common delusion that the cost of clothing is greater in the United States than in England. Formerly it was so, during the period in which the United States were developing their textile and other industries by protective tariffs, especially when it was the fashion to obtain clothing from England or the Continent ; but now the United States have developed their textile industries, they manufac-

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ture clothing quite as cheaply as in England, and this is indicated by their increased exports of cotton, silk, and woollen manufactures.

THE INCIDENCE OF TAXATION.

The incidence of taxation is one of the most difficult problems of political economy. It has been assumed, as a matter of course, by many followers of the Manchester School of Economics, that a tariff must necessarily increase the price of the article taxed. In fact, the argument which mainly induced the Lancashire manufacturers to support the repeal of the Corn Laws in 1846, was, that the price of bread would thereby be lowered, and would thus enable them, in consequence of lower rates of living

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to reduce wages, and compete successfully with the foreigner. No doubt, in some cases, the imposition of a tariff does increase the price; but experience proves, as will be shown hereafter, that sometimes it does not have any effect; sometimes it raises the price temporarily, with the result that it falls again; sometimes it has an immediate effect in lowering prices by destroying a monopoly or stimulating the development of a home industry. Sometimes it happens that the anticipation of a tariff causes a fall of price, because the foreign producer, knowing that the tax will come from his own pockets, pushes through his surplus stock at a sacrifice, so as to save the tax before the tariff law can come into operation. This was especially

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the case before the McKinley Act came into effect.

It may, perhaps, be laid down as a general axiom—subject, of course, to modifying influences—that when an article is, or can be, produced at home, a tariff stimulates production and does not raise the price, the tax being paid by the foreign producer; but when an article is not of home production, such as tea, coffee, cocoa, tobacco, wines, etc., the tariff increases the price and the tax falls on the consumer.

Now, the practical effect of our policy is: that we admit free of duty those articles which compete with our own industries, and tax those articles which do not. We remit the tax which would be paid by the foreign producer, whilst we exact that which falls upon our own subjects.

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In the year 1887 Mr. A. Williamson was convinced that the incidence of taxation, on any article which had to encounter competition of a home produce, fell upon the foreign producer and not upon the consumer. In order to test this question, he challenged the Cobden Club to issue a short circular to our chief exporters asking for their experience. As the challenge was declined, Mr. Williamson sent a circular to a large number of representative exporters of our chief manufacturing centres, embracing cotton, woollen, carpet, iron and steel, brass, gold, silver, electro-plate, hardware, guns, cycles, engineering, glass, indiarubber, leather, beer, and other industries. Out of 531 replies, 530 admitted that *the incidence of taxation fell upon them, and not upon the consumer.* The

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only dissenting reply was from an American cycle exporter, who had recently opened business in Coventry.

The following cases afford a few instances proving that the imposition of a tariff does not necessarily raise the price:

M. Thiers, in his speech of January 22nd, 1870, stated that a tariff on linen and cotton thread had reduced the price of a kilogramme of linen thread from 7 to $3\frac{1}{2}$ francs, and that the price of cotton thread had been reduced in still greater proportion.

Under the high protective tariff in the United States between the years 1860 and 1883, cotton hosiery was reduced to nearly one-half the prices of 1860.

In 1867 a protection duty was imposed on wool. In 1872 there

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were in the United States 143 looms producing 1,500,000 yards of Brussels tapestry. In 1880 there were 1,070 looms producing 16,950,000 yards. The price fell from \$2.30 in 1872, to \$1.50 in 1880, and to 93 cents. in 1890.

Mr. Wycoff, United States Census agent, stated that the average decline in the value of silk goods was not less than 25%, probably as much as 30% in fifteen years.

Salt under a tariff fell in price from \$1 80c. in 1866, to 74c. in 1882.

The Boston commercial bulletin gave a list of articles showing a general fall in calicoes, blankets, &c., between 1888 and 1892. (Appendix No. 2.)

The American *Economist* of October 2nd, 1891, gave a list of fifty-six articles in common use, the price of which had fallen since the imposition

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of the McKinley tariff in 1891. Ten of these, taken at random, such as axes, blankets, boots, calico, flannel, handsaws, overalls, shovels, waggons, woollen cloths, show an average fall of 15% between 1889, the year before the McKinley Act came into effect, and 1892, the year after. There had been a previous fall in these articles under the Morill Tariff, which was, as a rule, lighter than the McKinley Tariff. A full list of these articles is given in Appendix No. 3.

Mr. T. Dudley, formerly United States Consul at Liverpool, gave the following rates of fall under the protective tariff between 1861 and 1883 : Cotton goods 25%, woollen goods, carpets, &c., 25%, silk 35 to 40%, crockery 37%. In 1860 the duty on crockery was 24%, the tariff imposed

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a duty of 40%, which was afterwards raised to 55%, ad valorem ; and now many kinds of crockery are sold in the United States at lower rates than in England.

The manufacture of steel rails in the United States commenced in 1867 ; at that date steel rails cost \$150 per ton. The duty was changed to \$28 per ton, and in 1872 the price had fallen to \$112. In 1874 it fell to \$49, in 1876 to \$59, and in 1885 to \$27.

In 1889 there was a duty of 1% per lb. on tin plates. This was insufficient to enable the United States to develop their manufactures, accordingly the McKinley Tariff raised the duty to 2·2c. in 1891. This, according to Free Traders' contention, should have raised the price per box from

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5·28 to 6·57 dollars, but the price remained almost stationary for two years, and then gradually fell to less than 4 dollars per box as the industry developed. It has since risen in consequence of a large increase in the wages of tin-plate workers, but is lower than the price of 1890.

The Manager of the Barrow Steel Company stated in evidence, before the Royal Commission on Trade Depression, that in one year, 1884, his Company had paid £160,000 duty to the United States.

Instances of a similar character to the above might be multiplied to an indefinite extent. It is evident that in all these cases the tax has not fallen upon the consumer, but on the foreign producer. The taxed article has, in many cases, been reduced in

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price, whilst at the same time the State has received large additions to its revenue from the tariff.

EFFECT OF TAX ON WHEAT.

On January 1st, 1888, the duty on wheat in Italy was raised from a little more than 1 franc per quintal to nearly $2\frac{1}{2}$ francs, and on February 10th, 1888, to 4 francs, or about 7s. 6d. per quarter. The reports of Her Majesty's Consuls showed that the price of bread in Rome, under this large increase of duty, rose 4 centimes per kilogramme (about two-thirds of a farthing per lb.) and in Leghorn it rose 3 centimes. In Savona, Spezia, Genoa, and Castell Mare the price of bread remained unchanged; in Bari it fell 2 centimes; in Barletta Foggia,

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it fell 4 centimes, and in Salerno it fell 8 centimes. Practically it may be said that the price of bread remained almost unchanged by the large increase of tariff, which had been nearly quadrupled, the tendency having been rather to a fall than a rise in the price of bread, the greatest rise being about two-thirds of a farthing per lb., and the greatest fall about one-third of a penny per lb.

The value of imports of wheat into Italy during this period rose from 147 million lira in 1888, to 174 million in 1889, then fell to 106 million in 1891, but again rose to 146 million in 1893. Similar results ensued in Germany in 1892, when the duty was raised 400% and the price of wheat fell 9%; also in France, in 1895, when the duty on wheat was raised

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400% and the price of wheat fell 6½% and the price of bread fell 7%. In all these cases it is evident that the burden of taxation has fallen upon the foreign producer, not upon the consumer, and that an addition has been made to the revenue by the duty thus paid, which has saved other taxation to that extent.

TAXATION ON A FALSE BASIS.

Our policy of direct taxation rests on false assumptions. Nominally our fiscal policy is intended to relieve the working classes of the burden of direct taxation, by transferring it to the wealthy classes. So that in reality direct taxation falls mainly on the capitalist class, or, in other words, on our industries; and this eventually

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reacts on the working classes in reduction of wages and employment, causing poverty and distress.

Mr. McKinley pointed out that Free Trade in England had increased the rate of taxation by over 24% between 1870 and 1880, whilst in the United States the rate had, during the same decade, been diminished by nearly 10%. Sir Robert Giffen, in a paper lately read before the Royal Statistical Society, has endeavoured to show that the burden of taxation, excluding the war tax, is not greater per head of population than in 1861; but this method of comparison per capital is altogether misleading. The masses are not directly taxed, and as direct taxation falls mainly upon our industries, the distress caused by depression of trade is general, and has nothing whatever

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to do with the volume of population. In fact the larger the population the greater is the distress. Moreover, Sir Robert has dealt only with Imperial taxation, and has altogether omitted Local taxation, of the burden of which many of the witnesses before the Royal Commission bitterly complained. Imperial taxation amounts in round numbers to 131 millions. Our local expenditure, which in 1867-68 amounted to £36,496,000, rose in 1898-99 to £110,538,000, or, in other words, it nearly trebled in thirty years, and is rapidly increasing. Much of this expenditure entailing direct taxation must necessarily bear heavily upon our industries.

We have imported during the year 1900 manufactures of silk, woollen, leather, copper, iron, and steel, and

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other produce, to the value of £55,000,000, and food to the value of £120,000,000, but not a penny has been paid by the foreign producer of these articles as his share of the burden of taxation.

How is it possible for our industries to sustain competition under such disadvantageous conditions ? Our system of direct, instead of indirect, taxation transfers to our shoulders that burden which ought to be borne by the foreign producer.

It is absurd to attribute our ruin to industrial lethargy and incapacity. Our industries, though fettered by our fixed policy, have struggled bravely against overwhelming odds for many years ; but the continued drain on their capital has deprived them of the means of keeping up with the times

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by means of improved machinery and methods of manufacture.

Mr. Ernest Williams writes :

“I decline to believe that England’s industrial character has so deteriorated that she is unable, an she will, to pull herself up to the German standard of conduct. *Her unique position, as unchallenged mistress of the Industrial World, is gone, and is not likely to be regained*, but some of her departed glory may yet be restored to her.”— (“Made in Germany,” p. 175.)

ADVERSE BALANCE OF TRADE.

We have now an adverse balance of trade (or an excess of imports beyond exports) of more than £168,000,000. At the close of our prosperous period of protective policy in 1846, the balance of trade, instead of being adverse, was favourable, amounting to £66,000,000. The United States in

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1899 had a favourable balance of £105,000,000.

In 1882 Mr. (now Sir Robert) Giffen read a paper before the Royal Statistical Society, in which he endeavoured to explain away the ugly feature of an adverse balance of trade by the invention of a theory of "invisible exports"; but his paper was very roughly handled in discussion, the theory of invisible exports was completely demolished, the untenable assumptions by which it was supported were exposed, and the author was constrained to admit that the figures on which he had relied were quite incorrect.

It would be going too far to assert that our balance of trade represents the actual difference between our production and our expenditure, but there is

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no doubt that we are practically living on the produce of our investments, and on our enormous capital, and that we have been spending more than we have produced. It has been abundantly proved by the state of our industries, and by the evidence before the Royal Commission, that there has been a very serious drain on our capital, and that many of our industries have been losing concerns.

THE VOLUME OF OUR COMMERCE.

It has been a favourite trick of the advocates of Free Trade to add together the imports and exports under the head of "Volume of Commerce," and to exhibit the total increase of volume as incontestable

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evidence of prosperity under Free Trade. It would be equally reasonable for a man of business to add together the debit and credit sides of his banking book, and produce the total in evidence of a profitable business. In the case of England the absurdity is increased by the fact that the adverse balance of trade on the debit side exceeds £168,000,000. In any case the volume of commerce is no criterion of the state of our industries, for the Board of Trade statistics take no account of the losses or gains of an industry. Moreover, it must be remembered that while much of our import consists of food that is actually consumed, much of our export is made up from our natural capital of mineral wealth, coal, iron, etc., which cannot be replaced, and

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some of which, at least, we have parted with at a loss.

CONCLUSION.

In conclusion it has been shown that our commercial and industrial superiority, as well as our position as the great capitalist nation of the world, was acquired under a policy of strict Protection ; that we are rapidly losing it under the so-called policy of Free Trade, and that the United States and other Protectionist nations, under a most stringent policy of Protection, are supplanting us in our past supremacy. It has been shown also that the great prosperity which gained for Free Trade its prestige was due to the general wave of prosperity and improvements throughout the world, and has been

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shared by other nations, of late years, in a far greater degree than by us. It has also been shown that under Free Trade our agriculture has been ruined, and our industries have been struggling hard for existence ; that the repeal of the Corn Laws was unnecessary, and it was urged on false grounds ; that it has engendered a dependence upon foreign supplies, which caused the price of wheat to rise almost to famine prices during the Crimean War, and has become a serious menace to our national safety. Nor has it reduced the price of wheat, which has been as low in Protectionist countries as in England, if not lower. The electioneering cry of "cheap bread !" and "taxing the work-man's loaf !" has been shown to be misleading. Free Trade has not in-

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creased the wages or reduced the cost of living, for wages have increased in greater proportion in Protectionist countries, and the cost of food and the necessaries of life are lower in Protectionist countries than in England. Moreover, experience has shown that in the majority of cases the burden of a tariff falls on the foreign producer and not on the consumer. By our present fiscal policy the burden of taxation falls mainly upon our industries, and reacts on the working classes. We tax those articles which do not compete with our industries, and let in free of duty those which do. We transfer to our own shoulders that burden of taxation which should be borne, and in Protectionist countries is borne, by the foreign producer,

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thus placing us at a disadvantage in competition with the foreigner. Under Protection we had a favourable balance of trade ; under Free Trade we have a serious adverse balance. There is every indication that we are living on our capital and losing by our industries. Under a strict policy of Protection other nations have developed flourishing industries which compete successfully with us, not only in neutral, but in our own markets. In the general activity of trade of the decade, 1890-99, our share of the increase has been insignificant, our exports having increased only by one-third of 1%; whilst those of the United States have increased by 48%. Free Trade is daily becoming more and more discredited amongst practical men of business.

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None of the prophecies of Cobden have been realised. In 1844 he prophesied :—

“In ten years from the time when England inaugurates the glorious era of commercial freedom, every country will be Free Traders to the backbone.”

More than half a century has elapsed, and Free Trade is either an English or a savage custom.*

* Extract from “The British Jugernath,” chap. ix., p. 24 :

“You remind me of the Irishman who complained that he never served on a jury without finding himself associated with eleven of the most obstinate, pig-headed men conceivable.

“Are all other nations, except England, obstinate and pig-headed? Is the shrewd American blind to his own interest? Are the phlegmatic Dutchman, the thrifty Belgian, the clever Frenchman, the philosophical German, simpletons and idiots, as Mr. Bright is pleased to call all those who do not implicitly accept the Gospel of Free

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Again he prophesied in 1846:—

“There will not be a tariff in Europe that will not be changed in less than five years to follow your example.”

Not a single civilised country has followed our example, but in most of them tariffs are increasing in intensity. Again, in 1844, he prophesied that agriculture would flourish under Free Trade, and that no interest would receive so much benefit from the repeal of the Corn Laws as the farm-tenant interest, but there is little doubt that

Trade? Might not Carlyle's pithy remark teach a little humility? No country except England is free-trading. Free Trade at the present time, after a trial of thirty-eight years, is either an English or a barbarous custom. All other civilised nations are obstinate Protectionists; and the worst of it is, that they are growing more and more obstinate in their adherence to Protection, as they find they are making greater progress than England.”—(“The British Juggernaut.” Thacker & Spink. 1883.)

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farm tenants and landlords have been ruined.

Will nothing open our eyes? How long are we to follow the *ignis fatuus* of Free Trade, which is luring us to commercial ruin? Surely Sir Lyon Playfair, the Champion of the Cobden Club, was right when, in 1891, he said in condemnation of the McKinley Act:—

“If the Americans be right in principle, and if they be successful in practice, the whole policy of the United Kingdom is founded on a gigantic error, and must lead to our ruin as a commercial nation.”

The McKinley Act has proved to be successful in practice beyond all anticipation, even of its most sanguine supporters, and no sensible man can doubt that the conclusion of Sir Lyon

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Playfair is correct. Are we then to sacrifice our brilliant opportunities of commercial federation with the colonies to an insane worship of the baneful fétish of Free Trade ?

Sir Lepel Griffin, in the *Fortnightly Review* of March, 1884, wrote :

“The British Empire is still in its infancy, grafted, it is true, on an ancient monarchy. It only dates from the occupation of Virginia by Raleigh, 300 years ago. It has grown to be the greatest Empire in the world, with a territory of 9,000,000 square miles and 300,000,000 subjects of the Queen; and now only waits a statesman whose genius will gather it into one mighty Federation, animated by loyalty and dignified by freedom.”

If our Empire is to be saved, it must be by the strong effort of a wide,

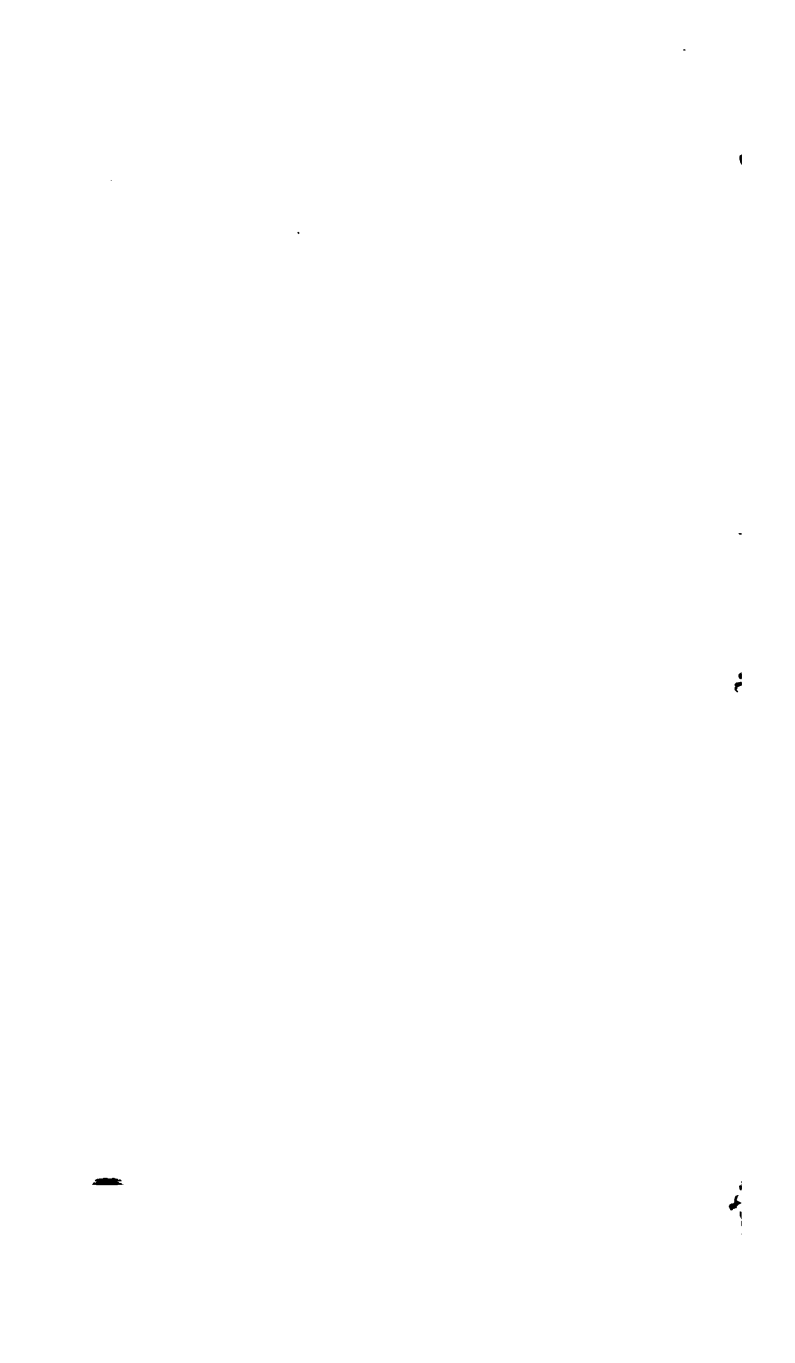
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comprehensive policy, which will knit our colonies and dependencies into one mighty Federation under an enlightened system of fiscal reform—a Federation, homogeneous in character, unselfish in aims, and united in policy, protecting every industry, seeking every possible means of employing the labour and developing the resources of all ; fostering every industry when it needs fostering, and relaxing the fostering care as soon as it is seen to be unnecessary ; protecting only to the extent that may be needed to prevent the decay of an existing industry, or to enable a new one to spring up, the primary aim being to utilise the labour and produce of the whole, and to ensure an enormous market in our own great united

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Empire. No doubt, to use the words of Professor Seely,

“Our problem has difficulties of its own, immense difficulties, but the greatest of these difficulties is one which we make ourselves—it is the false conception that the problem is insoluble.”—(“The Expansion of England,” Seely.)



APPENDIX.



APPENDIX No. 1.

INCREASE OR DECREASE OF IMPORTS INTO CANADA DURING THE PERIOD

1898—1897.

From "The Canadian Manufacturer,"

July 21st, 1899.

Articles.	Increase of Imports from the United States.	Decrease of Imports from the United Kingdom.
	\$	\$
Braces and Brushes ...	18,500	7,500
Carpets	31,000	44,000
Carriages	1,300,000	131,000
Watches and Cases ...	110,700	8,300
Cordage	54,000	35,600
Cotton Goods	15,000	752,000
Glass and Crockery ...	37,000	138,000
Hats, Caps, etc. ...	176,000	265,000
Jewellery, etc.	74,000	32,000
Agricultural Imple- ments	356,000	3,300
All other Iron Goods ...	1,541,000	3,613,000
Tin Goods	61,000	103,000
Sundry Metal Goods ...	310,000	323,000
Scientific Instruments	2,900	37,000
Paints and Colours ...	76,000	79,000
Silks and Ribbons ...	34,400	146,400
Dress and Piece Goods	31,000	171,100
Umbrellas	600	173,000
Wood, and Manu- factures of	735,000	30,000
Wool and Woollen Goods	18,000	4,438,000

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APPENDIX No. 2.

The following is a comparison of some of the prices in America in the low tariff year, 1860, and the high tariff year, 1882 :

Boston Commercial Bulletin.

Articles.	1860.	1882.
Standard Sheetings, per yard	8.73 cents.	8.00 cents.
Standard Drillings „	8.92 „	8.00 „
Bleached Shirtings „	15.50 „	12.35 „
Printed Calicoes „	9.50 „	6.17 „
Printing Cloths „	5.44 „	4.00 „
Cassimeres „	0.95 „	0.85 „
Cashmerets „	0.46 „	0.38½ „
Men's Ribbed Socks, per doz.	8.00 „	4.50 „
Ladies' Ribbed Hose „	4.25 „	3.00 „
Blankets, 94 gonic „	1.87 „	1.75 „
„ 12 4 XX „	8.00 „	9.00 „
Moscow Beavers, all wool...	4.00 „	3.00 „
„ „ cotton warp	1.35 „	1.00 „

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APPENDIX No. 3.

The American *Economist* of October 2nd, 1891, gives the average retail prices of fifty-six articles in common use at three periods. In the first column is shown prices in 1857, near the close of the last Free Trade of the United States; in the second column are the prices in 1889, a year before the McKinley Bill passed; in the next, or third column, is given the prices of 1890, during the electoral campaign; whilst the last column gives the prices after the passing of the McKinley Act.

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Articles.	1857.	Oct. 1889.	Oct. 1890.	Sept. 1891.
	\$	\$	\$	\$
Axe	1.49	0.95	0.92	0.88
Binding Twine, lb.	—	0.14½	0.14½	0.11
Blankets, pair ...	6.83½	4.23	4.09½	3.70
Blue Shirting, yard	0.17½	0.11½	0.11	0.09½
Boots	4.76	3.27	3.07	2.78½
Calico, yard	0.14½	0.07½	0.06½	0.06
Carpets, yard ...	1.90½	0.77½	0.72½	0.66½
Cotton Gloves ...	0.34½	0.24½	0.22½	0.19½
Cotton Hosiery ...	0.47	0.25½	0.25½	0.20½
Cotton Knit Goods	0.98	0.52½	0.46½	0.41½
Cotton Thread, spool	0.09½	0 05	0.04½	0.04½
Crowbar, lb.	0.11½	0.07½	0.06½	0.06½
Drawing Chains, pair	1.28½	0.71½	0.65½	0.58½
File	0.42	0.27½	0.24	0.20½
Fork, 3-tined... ..	0.99½	0.56½	0.52½	0.46½
Flannel, yard ...	0.70	0.39½	0.37½	0.34½
Fruit Cans, per doz.	3.00	0.72	0.65	0.54½
Gingham, yard ...	0.22½	0.10½	0.10½	0.08½
Hand Saw	2.43½	1.62½	0.53	1.39
Hoe	0.85	0.48½	0.43	0.37½
Hemp Rope, lb. ...	0.21	0 14	0.14½	0.11½
Linen, yard	0.83	0.48½	0.47	0.42½
Mowing Machine...	121.15	56.98	52.60	47.10
Nails, Wire, lb. ..	—	0.05	0.04½	0.03½
Nails, Iron, lb. ...	0.08½	0.03½	0.03½	0.03
Oilcloth, yard ...	0.84	0.38	0.35½	0.31
Overalls	1.20½	0.83½	0.79½	0.70½
Pearl Buttons, doz.	0.22½	0.11½	0.11½	0.13½

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Articles.	1857.	Oct. 1889.	Oct. 1890.	Sept. 1891.
	\$	\$	\$	\$
Pins, Paper	0.11½	0.06½	0.06½	0.05½
Plough	20.12½	14.37½	13.93½	12.90
Rake, Horse	41.25	22.56½	21.24½	19.40½
Reaper & Binder ...	247.85	142.36	129.85	115.95
Rubber Boots	4.83½	3.10½	3.00	2.73½
Salt, bl.	2.30	1.75	1.65	1.38
Shoes	5.84	3.45	3.15	3.06
Sheeting, yard	0.12½	0.08	0.07½	0.06½
Shovel	1.47	0.97½	0.93½	0.80½
Spade	1.44½	0.96½	0.95½	0.84
Starch, lb.	0.13½	0.09½	0.09½	0.09½
Straw Hat, good ...	1.75	1.28	1.25	1.10
Straw Hat, common	0.44	0.31	0.28	0.23½
Sugar, lb., granu- lated	0.19½	0.09½	0.09½	0.05½
Sugar, lb., brown...	0.16½	0.08½	0.08	0.04½
Sugar Bowl	0.61	0.38½	0.37½	0.32½
Scythe	1.22	0.85½	0.74½	0.68½
Tin Dipper	0.25	0.12½	0.11½	0.10½
Tin Milk Pail	0.75½	0.46½	0.43½	0.39½
Tin Milk Pan	0.37½	0.18½	0.17½	0.15½
Ticking, yard	0.35½	0.20	0.18½	0.17
Waggon	130.00	95.00	90.00	75.00
Washboard	0.41	0.24½	0.24	0.22½
Washtub	1.20	0.70½	0.65	0.65
Wheelbarrow	2.23	1.65	1.60	1.40
Wooden Pails	0.45	0.24½	0.22	0.20½
Woollen Clothing...	24.00	16.75	14.50	14.25

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About four weeks previously a letter was sent to 1,400 official correspondents of the American Protective Tariff League, asking them to get these prices from the merchants of their vicinity. The returns have been most complete. In many instances the testimonies of three and four merchants are given. The correspondents did not ask a dealer's politics—they were simply instructed to get actual retail prices as they existed at the periods stated.

Protection and Free Trade.

APPENDIX No. 4.

PRICES OF GINGHAMS AND WASH FABRICS
SIX MONTHS "BEFORE MCKINLEY" AND
NINE MONTHS AFTER.

Trade Name of Goods.	Before.	Now.
Everett Classics	8½ c.	8 c.
Fidelity	6½	6
Lombardy	7	6½
Tacoma	8½	7½
Arlington Staple	6½ & 6½	6 & 6½
Bates Warwick Dress	8½	8
Bates Staples	6½	6½ & 6½
Glenaine	6½	6 & 6½
Johnson Chalon Cloth	10½	9½
Johnson Indigo Blue	9½ & 11	9½
Lancaster Normandie	8½	8 & 8½
White Calcutta Dress Styles	8½ & 9½	8 & 8½
Westbrook Dress Style	8½	8
York Manufacturing Co.'s Staples	6½	6½ & 6½

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PRICES OF PRINT GOODS SIX MONTHS BEFORE THE MCKINLEY TARIFF PASSED, COMPARED WITH THEIR PRESENT PRICES.

September, 1891.

Trade Name of Prints.	Before New Tariff.	Under New Tariff.
Allen's Pink Checks	6 & 6½ c.	5½ c.
Allen's Shirtings	4½ & 5	4
Allen's Turkey Reds	6½	5½
American Indigo Blue	6½	6
American Shirting	5 & 5½	4½
Anchor Shirting	5 & 5½	4½
Arnold Long Cloth C	9	8½
Berlin Solids	6	5
Berlin Red ¾	7½	7
Cocheco XX Twills	6½	6½
Berlin Red 4—4	11	10
Charter Oak Fancies	5 & 5½	4
Eddystone Fancy	6½	6
Eddystone Sateen	6½	6